

Accelerate Fund III – Expression of Interest

Alberta Enterprise is seeking a Manager for the **Accelerate Fund III**. Modelled after the angel co-investment funds, Accelerate Fund I and Accelerate Fund II, Alberta Enterprise is considering allocating an additional CAD \$10 million for Accelerate Fund III. Accelerate Fund III will seek to raise up to an additional \$15M for a maximum commitment of CAD \$25M.

Background

Accelerate Fund III will build on the work of its predecessors and will continue to foster the Alberta innovation ecosystem by investing in early stage technology companies. This capital will target Alberta based technology focused businesses in Information and Communications Technology (ICT), Clean Technology, Energy Technology, Life Sciences and Ag-tech/Biotech. The Accelerate Fund model enables independent private angel syndicates and high net worth investors to top up financing rounds in Alberta based technology start-up companies. Entrepreneurs and early stage companies would typically apply for co-investment from Accelerate Fund III once an Angel financing commitment is secured, however the Manager is also responsible for generating deal flow. The Manager will be responsible for the full life cycle of fund activities, from generating deal flow, conducting due diligence and legal, to helping entrepreneurs fill out financing rounds. Capital will be invested either on the same terms and conditions as the Angels invest, or on mutually agreeable alternative terms. The preferred deal size is between \$500,000 and \$1,000,000, with a maximum of 50% coming from Accelerate Fund III. Accelerate Fund III will be actively managed, meaning the Manager will exercise the latitude to negotiate deal terms, financing structure, tranching milestones and valuation. The Manager will also be expected to add value by deploying mentors, advisors, and EIR/A100 resources as well as prescribing board of director requirements.

Criteria

To be considered as Manager for Accelerate Fund III, the applicant must meet the following criteria:

- Have a management team with a positive track record in early stage investing and prior venture capital fund management experience;
- Have an operational background; ideally from working in a C-level position at a technology firm;
- Have experience leading, syndicating and closing venture stage deals;
- Have established due diligence and investment processes for investing in early stage ventures;
- Have established networks, experience and relationships working with Alberta-based:
 - Angel investors and angel groups;
 - Venture investors, private equity investors, and high net worth investors; and
 - Technology organizations that can refer investment opportunities.

- Have the technical capability to step in and champion start-ups that Angels are not duly considering and might be passing by for the wrong technical reasons;
- Have the ability to provide a complete back office function for deal flow tracking, prospect file management, due diligence data room, investee tracking, portfolio reporting, bookkeeping and financial reporting, audit and legal and sharing of insights and trends with investors;
- Have the ability to raise additional external capital and target \$25M as the Fund size;
- Have the ability to place an investment professional in each of Edmonton and Calgary.

Process and Submission

Interested applicants will make a written submission in response to the call for expressions of interest, as outlined in Appendix A. All expressions of interest must be received no later than January 22, 2019. If you have any questions, please contact Rebecca Giffen at (587) 402-6601 or info@alberta-enterprise.ca for more information.

Appendix A

Please provide written answers to the following questions.

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A. Contact Information

1. Provide the full legal name and address of the entity applying for consideration.
2. Provide the full names, titles, emails and direct telephone numbers for the GP, all fund Partners, the CFO, and other key investment personnel.
3. Provide the name of the person coordinating the due diligence on behalf of the Fund and their contact details.

B. Macro Environment and Market Opportunity

4. What is the Managers view of the venture capital asset class?
5. Describe the markets in which the Fund will operate and provide an overview of the current macro trends and drivers that are creating the investment opportunity.
6. Why is the opportunity to invest in this market attractive during the Fund's lifetime?
7. How will the fund adapt / manage in the event of an economic downturn?

C. Investment Thesis / Strategy

8. Describe the specific market opportunity.
9. Describe the proposed investment strategy, including sector, stage, and other key elements that define the Fund's thesis.
10. What are the Manager's key strategic competitive advantages?

D. Portfolio Construction and Return Expectations

11. How many companies does the Manager propose to invest in?
12. What is the target ownership % at initial investment and at exit?
13. Provide detail on the Fund's diversification strategy in terms of number of investments, stage and sector allocations. Is the fund large enough to achieve sufficient diversification?
14. Describe the typical investment structures proposed by the Manager?
15. What is the fund's strategy to exit from portfolio companies?

E. Alberta Value-Add

16. Describe how Alberta deal flow is relevant to the thesis and strategy of the fund.
17. Provide any analytics on the Fund's pipeline relating to Alberta deal flow and investment opportunities.
18. Provide details of any Alberta investments made to date.
19. Describe how the fund can support current and emerging industries and sectors in Alberta.
20. Describe how the fund has helped or will help develop the Alberta startup ecosystem and support Alberta technology companies.

F. Firm / GP

21. Provide a brief overview of the history of the organization including its purpose and background.
22. If available, provide a visual detailing the legal / ownership structure of the Firm and all affiliated management companies or corporations.

23. Provide an organizational chart of all Partners and staff.
24. List all investing activities carried out by the firm.
25. Describe the firm's culture.
26. Has a "Key-Person" event ever occurred in the Firm's history? If yes, please describe.
27. Describe any current or past activity that could lead to negative publicity about the Firm. What are the steps taken to address the situation?

G. Partners / Personnel

28. Provide up to date resumes / bios of the general partners, the CFO and all principal staff involved in investments.
29. For each partner and principal investment staff member explain their role and how they contribute to the success of the fund.
30. Identify which partners and other staff are directly involve in investment decisions.
31. How long has the current fund team been working together? Which team members have worked together for more than 3 years?
32. What are the hiring plans for future partners and investment professionals?

H. Prior Funds and Investments

33. Provide a brief summary of all funds currently and previously under management, including commencement year, commitment size and fund purpose.
34. For each prior fund complete the table shown in Table A listing all portfolio investments and summarizing financial performance. If no prior fund experience, please detail the personal track record of key people
35. Describe how the prior funds have performed relative to other competing funds of the same vintage / time period.
36. Provide an analysis of success and failure rates by partner. What actions are being taken to address weaker individual investment performance?
37. For each Partner, discuss examples of exited / realized investments with investment multiples above 3x and below 1.0x. Discuss what happened, actions taken, and lessons learned.
38. Provide a list of all LPs from all previous funds.

I. Investment Process and GP Value Add

39. Provide details of the Firm's internal decision-making and approval process as a deal progresses through the due diligence and approval steps.
40. How does the fund source and compete for attractive deals? Why does the firm have an advantage in deal sourcing? How is the sourcing process staffed, conducted and documented?
41. Is the fund manager well-networked with deal referral sources such as prior founders, industrial players, other VCs and ecosystem organizations? Please provide examples.
42. Describe the primary sources of high-quality deals for prior funds.
43. What criteria are used to assess an investment's attractiveness? What are the factors that would automatically exclude or end a potential a deal?

44. What is the fund's view on leading investments? Has the fund manager acted as a lead investor? Provide examples. What percentage deals does the GP lead?
45. How were exits from previous investments achieved? Using examples, describe how the GP supports the exit process?
46. How does the firm add value to its portfolio companies in terms of strategic, financial and operational value-add?

J. GP Capacity / Legacy commitments

47. Does the firm have the capacity to conduct business at the increased AUM size with this new fund? Why? What is the workload from the previous funds?
48. How will each principal's time be allocated to the legacy commitments and future investment activities of the partnership? Please complete Table B.
49. List all board responsibilities (portfolio company boards, public company boards, non-profit boards, other boards) for the Partners and key individuals.
50. What are the investment expectations for each partner (number of investments, capital under management, portfolio companies and board responsibilities)?

K. Risk Management, Governance and Policies

51. What are the key risks involved with the fund's execution and realization of its financial performance objectives (i.e. Market, Strategy, GP/team, Fundraising, Financial, Alberta Value-Add, etc)? For each of the risks identified above, how will they be mitigated and/or managed?
52. Does the Firm have a Code of Conduct that covers harassment, discrimination and/or workplace violence? If yes, provide a copy of the Code. If not, would you be willing to develop and implement such a code?
53. Describe the firm's processes for hiring new staff. Does the firm actively hire for diversity?
54. Explain how the Firm's policies are supervised, monitored and enforced.

L. Monitoring, Valuation, Accounting and Reporting

55. Describe the process and resources for monitoring existing investments?
56. Describe the Fund's internal accounting.
 - a. What accounting principles does the fund operate under?
 - b. Has the Firm established an internal audit process?
 - c. Does the Firm use an accounting system?
 - d. Does the fund have dedicated accounting staff or have external support?
57. Explain the fund's approach and pricing discipline to the valuation of investments. Does the valuation reference the IPEV Guidelines?
58. Will the Fund continue to use the same auditor as previous funds? Which firm is expected to be the auditor?
59. Has an auditor ever requested changes to any company valuations in the current or prior funds? If so, please explain. Has the GP ever opted to not change a valuation upon recommendation of an auditor?

60. Does the Firm use systems / software for business functions such as accounting, portfolio monitoring / management, trade order management, administration and risk?

Table A: Prior Fund Performance

Prepare these tables for each prior Fund and complete all cells in yellow.
Please provide in Excel spreadsheet format. AEC can provide an Excel template if helpful.

Fund summary information

Fund name		Currency		End of term date	
Vintage		Investment focus		# LPs	
Data current as of		Fund size		# Investments	

Fund performance data

Company	Date of Initial Investment	Investment Cost	Realized proceeds	Current Fair Value ¹ (unrealized proceeds)	Total Value	Multiple on invested capital (MOIC)	Gross IRR	Deal attributed to (Partner name)	Form of Exit
<i>Realized Investments</i>									
Company 1									
Company 2									
etc ...									
<i>Total</i>									
<i>Unrealized Investments</i>									
Company 1									
Company 2									
etc ...									
<i>Total</i>									
<i>Portfolio (gross)</i>									
<i>Total</i>									
<i>Fund (net)</i>									
Net IRR ²									
DPI									
TVPI									

¹ The "Fair Value" of a private company is cost unless there is a subsequent financing event causing a mark-up or down, or an adverse change in the company such that we believe the value is less than cost requiring a mark-down. The "Fair Value" of a public company is based upon the closing stock price on the valuation date. Certain discounts are applied based on limitations on the liquidity of the security.

² Net IRR (Internal Rate of Return) is calculated, after expenses, management fees, and carried interest to the General Partner, on a cash-on-cash return methodology using daily cash flows.

Table B: Partner Time Allocation Chart

[Fund name]

Estimated Time Allocation by Partner

Year Fund	2015				2016				2017				2018				2019			
	I	II	III	Other	I	II	III	Other	I	II	III	Other	I	II	III	Other	I	II	III	Other
Partner 1	11%	29%	61%	0%	11%	15%	75%	0%	6%	13%	76%	6%	6%	6%	64%	25%	0%	8%	36%	57%
Partner 2	18%	32%	50%	0%	18%	36%	47%	0%	27%	27%	48%	6%	20%	20%	40%	21%	4%	11%	30%	55%
Partner 3	15%	22%	64%	0%	15%	22%	64%	0%	6%	10%	69%	6%	6%	16%	55%	24%	0%	8%	32%	61%
Partner 4	15%	15%	71%	0%	18%	15%	68%	0%	9%	7%	8%	6%	9%	9%	56%	25%	0%	11%	30%	59%
Average	15%	24%	61%	0%	15%	22%	63%	0%	10%	19%	66%	6%	10%	13%	54%	24%	1%	9%	32%	58%
	100%				100%				100%				100%				100%			

Time allocations are composed of []